

Message Text

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PAGE 01 NEW DE 11175 231043Z

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ACTION NEA-16

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3420

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O.: 11652: N/A

TAGS: ELTN, IN

SUBJECT: GOVERNMENT RAISES RAILWAY FARES, FREIGHT RATES

1. IN PRESENTATION TO LOK SABHA AUGUST 21 RAILWAY MINISTER L. N. MISRA INTRODUCED SUBSTANTIAL INCREASES IN RAILWAY FARES AND FREIGHT RATES. INCREASES, WHICH ARE TO GO INTO EFFECT SEPT 9 ARE PLANNED TO GENERATE RS. 1,400 MILLION (\$175 MILLION) ADDITIONAL REVENUE IN THE REMAINING 7 MONTHS OF INDIAN FISCAL YEAR 1974/75. THE INCREASED REVENUE WILL PARTIALLY OFFSET A DEFICIT FOR THE YEAR WHICH WOULD HAVE REACHED RS. 2,500 MILLION (\$312 MILLION) IN THE ABSENCE OF THE RATE HIKES.

2. HIGHER FREIGHT RATES ACCOUNT FOR THE LARGER SHARE, SOME 64 PERCENT OF THE ANTICIPATED INCREASE IN REVENUE. FREIGHT RATES WILL RISE 15 TO 22 PERCENT DEPENDING ON LENGTH OF HAUL ON ALL FREIGHT EXCEPT GRAIN, EDIBLE OIL, MILK, AND VEGETABLES, WHICH ARE EXEMPT FROM THE NEW IMPOST.

3. HIGHER PASSENGER FARES ARE EXPECTED TO PRODUCE THE REMAINDER OF THE NEW REVENUE. AIR CONDITIONED FIRST CLASS
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PAGE 02 NEW DE 11175 231043Z

SERVICE WILL COST 25 PERCENT MORE, ITS COST RISING CON-

SIDERABLY ABOVE ONE-CLASS FARE BETWEEN THE SAME POINTS. FIRST CLASS AND AIR CONDITIONED COACH SERVICE WILL GO UP 33 PERCENT. THREE QUARTERS OF INCREASED REVENUE FROM PASSENGER FARES WILL COME, HOWEVER, FROM FARE INCREASES FOR WIDELY USED SECOND CLASS SERVICES.

4. SHARPLY RISING OPERATING COSTS AND ABSOLUTE DECLINES IN FREIGHT AND PASSENGER TRAFFIC SINCE THE LAST BUDGET STATEMENT IN FEBRUARY HAVE PLUNGED THE RAILROADS INTO WHAT THE RAILWAY MINISTER CALLED A "HIGHLY PERILOUS" FINANCIAL POSITION NECESSITATING THE PRESENT FARE AND FREIGHT RATE INCREASES. PLAGUED BY POOR FINANCIAL MANAGEMENT, DETERIORATING CAPITAL EQUIPMENT, AND LABOR DIFFICULTIES, THE RAILROADS NONETHELESS RETAIN A KEY ROLE IN INDIAN ECONOMIC LIFE, AND THIS FARE AND FREIGHT RATE HIKE WILL INEVITABLY IMPACT ON THE ALREADY RAPIDLY RISING PRICE LEVEL.
MOYNIHAN

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